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SUBJECT: NINEWA-SALAH AD DIN BORDER AREA DEPRESSED BUT HAS
POTENTIAL

REF: BAGHDAD 2052

11. (U) This is a Ninewa Provincial Reconstruction Team (PRT)
message, in cooperation with the Salah ad Din PRT.

Summary

12. (SBU) Southern Ninewa Province and the Sharqat district in
northern Salah ad Din Province suffer from lack of
infrastructure investment and unemployment of at least 50
percent. This area, collectively known as the Zaab Triangle
of the Tigris River Valley, would benefit from GOI
infrastructure investments that provide long-term employment
and create an attractive environment for private investment.
The presence of three potentially major industrial facilities
(a sulfur plant in need of refurbishment, an unfinished
electrical generation station and a currently producing oil
refinery) represents a solid economic base. The location of
the region along the main road from Baghdad to Mosul on the
banks of the Tigris favors industrial, transportation and
agricultural development. The PRT is working with willing
local leaders to harness the region's multiple economic
benefits and collectively improve energy, water and
transportation development across tribal and sectarian lines.
National investment in the region's infrastructure and
naturally profitable service- and construction-oriented
industries would help set up the region for long-term growth.

Depressed Zaab Triangle Has Potential

13. (SBU) PRT Ninewa's southern Branch Office, out of Forward
Operating Base QWest, covers the southernmost part of Ninewa
and, in collaboration with Salah ad Din PRT, the northernmost
Salah ad Din district of Sharqat, including areas on both the
eastern and western sides of the Tigris River. Most of the
region's inhabitants on the western side of the Tigris are
Sunni Bedouin, while the majority in Ninewa's Makhmour
district on the eastern side of the river are Kurdish. The
entire region suffers from dilapidated transportation and
energy infrastructure exacerbated by slow and inefficient
budget execution. The security situation has improved over
the past year although terrorist and criminal activities
still disrupt daily life.

14. (SBU) Major industries are the Mishraq Sulfur Plant,
destroyed by fire in 2003 (reftel), the Al Shemal thermal
electrical generation plant, unfinished and paying storage
fees in the United Kingdom for Rolls-Royce generators
purchased fifteen years ago, and the Qayyarah Refinery, which
produces asphalt from the heavy crude oil found in the region
and has recently added another line to produce benzene.
These state-owned facilities represent the potential for a
strong economic base should they be repaired, restored,

finished and brought to full production. On the northern margins of this region, the Hammam al Alil cement plant, 15 miles south of Mosul, profitably churns out cement for the booming central and eastern Ninewa construction industry.

¶15. (SBU) Beyond the state-owned factories, the province's economic activity currently depends on central government financing of capital projects. Local officials complain about inefficiency in this budget execution process, citing delays in repairs to several Tigris bridges that are needed to boost intra-regional commerce. Because budgets rarely include funding or expertise for operations and maintenance, the little capital investment that does occur quickly decays, as seen in a broken-down water station that left 50,000 Sharqat residents without full water supply.

¶16. (SBU) There is currently little legitimate private sector activity with growth potential in this area. Private sector economic activity has consisted mostly of involvement in stolen fuel marketing and transportation. Decrepit infrastructure, continued security concerns and the lack of a fully functioning banking system discourage local and international investment. Current construction industry activity in Zaab Triangle is limited to private houses for the well-off, with the shortage of credit or GOI investment hindering both small and medium-sized business development.

¶17. (SBU) Like the rest of northern Iraq, the lengthy drought has reduced agricultural productivity to - at best - a low subsistence level. While the current level of agricultural production does not support agricultural processing, the area would be ideally suited to use its strategic location,

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available water and potential power to process profitably local agricultural products. Improved irrigation would help resolve some of the drought-induced issues and provide a local demand for grain processing. Grain from local silos is currently sent to Erbil for grinding.

¶18. (SBU) The recent GOI attention on Mosul - mainly through Prime Minister al Maliki's special advisor Zuhair Chalabi - has led to hopefulness from local officials that investment and budget execution will improve. The GOI's promises to execute the budget more efficiently, add supplemental budget funds and focus efforts on the electric grid and infrastructure in general have encouraged the region's inhabitants to begin stockpiling construction materials and amass funds for small businesses.

Comment

¶19. (SBU) Two initiatives would directly assist the Zaab Triangle's economic situation: efficient distribution of Ninewa and Salah ad Din provincial budget funds for infrastructure and targeted industrial rehabilitation projects. First, GOI-funded infrastructure reconstruction and maintenance projects would improve transportation and power networks, while pushing more cash into the local economy. Politically, local implementation of these infrastructure projects would dovetail with ongoing, PRT-supported municipal efforts to organize local utility districts to fill gaps in national service provision. Water management improvements and drought countermeasures, now under study by PRT, would help revive the agricultural sector and provide immediate, low-skilled employment.

¶10. (SBU) Second, targeted investment in the underperforming Mishraq Sulfur Plant, Al Shemal power plant and Qayyarah refinery would provide construction and maintenance jobs in the short term while setting up the region for sustainable long-term growth. The sulfur plant sits on the world's largest natural reserve of sulfur and requires only \$100 million to be fully functional (see details reftel). The Al Shemal power plant's original generation design may now be

outdated, but the existing location's shell could be exploited to bring state-of-the-art generation to the region more quickly than building a completely new plant for the ground up. An increase in dedicated power for the Qayyarah refinery would assist that plant's output of much-needed asphalt for local road reconstruction projects.

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